



859551854

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MICHAŁ SZWARC
114 CRESCENT RD
PIERMONT, NY 10968

FLAGSTAR BANK, FSB
5151 CORPORATE DRIVE
TROY, MICHIGAN 48068

Borrower's Name and Address

"You" means each borrower above, jointly and severally.

Lender's Name and Address

"We" or "us" means the lender named above.

No. 500696604
Date JUNE 8, 2005
I.L. # 859551854
Line of Credit \$ 458,440.00
Triggering Balance \$ 0.00

Initial Advance \$ 458,440.00
Minimum Advance \$ 0.00
Minimum Balance \$
Draw Period 10 years
Repayment Period 10 years

Maturity Date JUNE, 2015
Billing Cycle: Ends 20TH
of every
Payment Date 10TH
of every MONTH

HOME EQUITY LINE OF CREDIT

GENERALLY: This is an agreement about your home equity line of credit. Many of the terms we use in this agreement have special meanings. The term "loan account balance" means the sum of the unpaid principal of loans made under this plan, plus unpaid but earned finance charges, that are due. "Interest Loan Number" means an account you carry with us. The number of this account is listed at the top of the form on the line labeled "I.L. #." "Line of Credit" means the maximum amount of principal we will ordinarily allow you to owe us under this plan at any time. "Triggering Balance" is the amount you must keep in your transaction account to prevent us from lending you money under this plan.

In addition, we will use the following terms for this home equity plan: "Initial Advance" means the amount of money we will require you to accept as an advance to open the plan. "Minimum Advance" means the smallest amount of money we will advance to you at your request. The "Minimum Balance" is the amount of principal of loans we will require you to maintain outstanding during the plan. If the principal balance outstanding falls below the minimum balance, you may have to pay a fee described below.

If any term of this agreement violates any law or for some other reason is not enforceable, that term will not be part of this agreement. This agreement is subject to the laws of the state where we are located.

TAX DEDUCTIBILITY: You should consult a tax advisor regarding the deductibility of interest and charges under this home equity plan.

REQUESTING A LOAN: You request a loan under this plan by the following methods:

- You write a check.
- You request a withdrawal in person.
- You authorize us to make a payment to a third person or another account.

HOW THE LOAN IS ADVANCED: When you request a loan, we will, subject to any limitations contained in this agreement, advance exactly the amount you request, so long as the requested amount equals or exceeds the minimum advance listed in this agreement. We will make the advance by depositing the amount in your transaction account, by advancing the money directly to you, or by paying a designated third person or account, depending on how we agree to make the advance. We will record the amount as a loan in your loan account.

If your request is for less than the minimum advance, we may, at our option, grant the request. However, granting the request does not mean we will be required to grant requests for less than the minimum advance in the future. We always have the option to deny any such request.

However, we will not ordinarily grant any request for a loan which would cause the unpaid principal of your loan account balance to be greater than the Line of Credit listed in this agreement. We may, at our option, grant such a request without obligating ourselves to do so in the future.

HOW FINANCE CHARGES ARE COMPUTED: Finance charges begin to accrue immediately when we make a loan to you. To figure the finance charge for a billing cycle, we apply a daily periodic rate of finance charge to the "average daily balance" of your loan account for the billing cycle. We then multiply that figure by the number of days in the billing cycle. The average daily balance is computed as follows: First, we take your loan account balance at the beginning of the day and subtract any unpaid finance charges and credit insurance premiums (if any) that are due. Next, we subtract the portion of any payments or credits received that day which apply to the repayment of your loans. (A portion of each payment you make is applied to finance charges.) Then we add any new loans made that day. This gives us the daily balance. Then we add up all the daily balances for the billing cycle and divide the total by the number of days in the billing cycle. This gives us the "average daily balance." The daily periodic rate of FINANCE CHARGE is .0168 % which corresponds to an ANNUAL PERCENTAGE RATE of 6.125 %. The annual percentage rate includes interest and not other costs.

The periodic rate and corresponding annual percentage rate described above are the initial rates assessed under this plan, and may not be based on the relationship used for later rate adjustments. Had these rates been

based on that relationship, the daily periodic rate of FINANCE CHARGE would have been .0195 % which would correspond to an ANNUAL PERCENTAGE RATE of 7.1250 %. The initial rate will be in effect until OCTOBER 1, 2005. At that time the rates will be subject to further adjustments and limitations, and produce the effects described below.

VARIABLE RATE: The annual percentage rate may change, and will be 1.1250 plus the following.

"base rate": the highest rate on corporate loans posted by at least 75% of the USA's 30 largest banks known as The Wall Street Journal Prime Rate and is published in The Wall Street Journal. The annual percentage rate may increase if this "base rate" increases. An increase will take effect on the 1st day of the month. An increase will result in an increase in the finance charge and it may have the effect of increasing your periodic minimum payment. The annual percentage rate will not increase more often than once a month. A decrease will have the opposite effect of an increase disclosed above.

If the base rate changes more frequently than the annual percentage rate, we will always use the base rate in effect on the day we adjust the annual percentage rate to determine the new annual percentage rate. In such a case, we will ignore any changes in the base rate that occur between annual percentage rate adjustments. Any annual percentage rate increases not implemented by us either because of periodic, annual or lifetime rate caps, or because of a statutory limitation, may be carried over to subsequent rate adjustment periods and may be implemented by us to the extent not offset by opposite movement in the base rate. If this occurs, the annual percentage rate will not relate to the base rate in the manner described above. When we have adjusted the annual percentage rate to take advantage of all increases or decreases in the base rate, the initial relationship between the base rate and the annual percentage rate will resume.

The "annual percentage rate" referred to in this section is the annual rate which corresponds to the periodic rate applied to the balance as described above. This corresponding ANNUAL PERCENTAGE RATE will never exceed 18.000% and will never exceed the highest allowable rate for this type of agreement as determined by applicable state or federal law. The ANNUAL PERCENTAGE RATE will never decrease below 6.000%. Rate information will be provided with each periodic statement - not rounded.

HOW YOU REPAY YOUR LOANS: On or before each payment date, you agree to make a minimum payment. The minimum payment amount is the greater of the interest due on the principal loan balance outstanding on your account, or \$75.00.

FINAL PAYMENT: On the maturity date listed in this agreement, you must pay the amount of any remaining loan account balance outstanding. The minimum payments may not be sufficient to fully repay the principal that is outstanding on your line. If they are not, you will be required to pay the entire outstanding balance in a single balloon payment. We are not obligated to refinance your loan at that time, but will consider your request to do so. If you refinance this account at maturity, you may have to pay some or all of the closing costs normally associated with a new loan even if you obtain financing from us.

NEGATIVE AMORTIZATION: In the event that the minimum payment (described in this agreement) does not equal or exceed the amount of any credit insurance premiums and accrued finance charges, the unpaid portion will be carried over to subsequent billing periods and payments made for those periods will first be applied to the carryover amount, then to the current billing cycle fees, charges and principal. This is called negative amortization. Negative amortization will increase the amount you owe us and reduce the equity in your home.

SET-OFF: You agree that we may set-off any amount due and payable under the terms of this agreement against your right to receive money from us, unless prohibited by applicable law. For example, our right of set-off does not apply to an Individual Retirement Account; other tax-deferred

ADDITIONAL TERMS

V2 WBCD LOAN # 500696604

retirement account; or federal benefit, wage, salary and retirement payments held in an electronic transfer account (ETA). In addition, our right of set-off does not apply to an account or other obligation if your rights arise only in a representative capacity or if you can obtain credit under this agreement by using a credit card.

Your right to receive money from us includes any deposit or share account balance you have with us; any money owed to you on an item presented to us or in our possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this agreement" means the total amount of which we are entitled to demand payment under the terms of this agreement at the time we set off.

SECURITY: We have secured your obligations under this plan by taking a security interest (by way of a separate security agreement, mortgage or other instrument dated JUNE 8, 2005) in the following property, described by item or type:
**114 CRESCENT RD
PIERMONT, NY 10968**

ATTORNEY'S FEES: If you default on this obligation or become involved in any bankruptcy proceedings, you agree to pay all costs we incur (including reasonable attorney's fees and court costs) to collect or enforce this debt. **NOTICE:** Review the following page for additional terms and for information about your rights in the event of a billing error.

ADDITIONAL REPAYMENT TERMS: If your loan account balance on a payment date is less than the minimum payment amount, you must pay only the loan account balance. If you fail to make a payment, we may, but are not required to, advance money to you to make the payment. All the terms of this agreement would apply to such a loan.


You can pay off all or part of what you owe at any time. However, so long as you owe any amount you must continue to make your periodic minimum payment.

The amounts you pay will be applied first to any charges you owe other than principal and finance charges, then to any finance charges that are due, and finally to principal.

DEFAULT: You will be in default on this agreement if any of the following occur:

- (1) You engage in fraud or material misrepresentation in connection with this plan;
- (2) You fail to make a payment as required by this agreement;
- (3) Your action or inaction adversely affects the collateral or our rights in the collateral.

SIGNATURES: By signing below, you agree to the terms of this agreement and you promise to pay any amounts you owe under this agreement. You also state that you received a completed copy of the agreement on today's date.


MICHAEL SZWARZ (Seal)

Property securing any other loans that you have with us may also secure this agreement.

You may buy property insurance from anyone you want who is acceptable to us. If you buy the insurance from or through us, your premium will be N/A.

CHANGING THE TERMS OF THIS AGREEMENT: Generally, we may not change the terms of this agreement. However, we may change the terms in the following circumstances:

- If this is a variable rate plan, we may change the index and margin if the original index described in this agreement becomes unavailable. Any new index will have a historical movement similar to the original, and, together with a new margin, will produce a similar interest rate.
- We may make changes that you have agreed to in writing.
- We may make changes that unequivocally benefit you.
- We may make changes to insignificant terms of this agreement.

In addition, we may make the following specific changes, upon the occurrence of the events described:

- We will increase the **ANNUAL PERCENTAGE RATE** N/A % if you leave your position with us.
 - We will increase the margin N/A % if you leave your position with us.
 - We will increase the **ANNUAL PERCENTAGE RATE** N/A % if you fail to maintain a qualifying minimum balance of \$ N/A in a savings or money market account at our institution.
 - We will increase the margin N/A % if you fail to maintain a qualifying minimum balance of \$ N/A in a savings or money market account at our institution.
 - We will refuse to make additional extensions of credit or reduce your credit limit if the maximum annual percentage rate is reached.
- If we are required to send notice of a change in terms, we will send the notice to your address listed in this agreement. (You should inform us of any change in address.)

ADDITIONAL CHARGES: You agree to pay the following additional charges:

- A late payment fee of \$20.00 will be charged on any payment not received within 19 days of the statement date.
- A fee of \$20.00 will be charged on any advance request in an amount that would cause the unpaid principal balance of your HELOC Account to exceed the Credit Limit.
- If you request a change in the terms of your Account Agreement, you will be subject to pay a modification fee of \$150.00.
- Your account is subject to an Early Termination fee of \$300.00 if you cancel your HELOC Account within 24 months of the date of this Account Agreement.
- Other Fees: **Refer to your HUD-1 or HUD-1A Settlement Statement**

Multistate HELOC Note (8/03)

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ADDITIONAL TERMS (CONT.)

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REMEDIES: We may terminate your account, require you to pay the entire outstanding balance in one payment and charge you a termination fee (if provided for in this agreement), and fees related to the collection of the amount owing, if you are in default in any manner described above. In that instance, we may take other action short of termination, such as charging you a fee if you fail to maintain required property insurance and we purchase insurance. We may also use our right of set-off as explained in this agreement. Even if we choose not to use one of our remedies when you default, we do not forfeit our right to do so if you default again. If we do not use a remedy when you default, we can still consider your actions as a default in the future.

case, we will send you a statement of the amount you owe and the date that it is due.

If you fail to pay the amount that we think you owe, we may report you as delinquent. However, if our explanation does not satisfy you and you write to us within ten days telling us that you still refuse to pay, we must tell anyone we report you to that you have a question about your bill. And, we must tell you the name of anyone we reported you to. We must tell anyone we report you to that the matter has been settled between us when it finally is.

If we don't follow these rules, we can't collect the first \$50 of the questioned amount, even if your bill was correct.

SUSPENSION OF CREDIT AND REDUCTION OF CREDIT LIMIT: We may temporarily prohibit you from obtaining additional extensions of credit, or reduce your credit limit if:

- (1) The value of the dwelling securing this home equity line of credit declines significantly below its appraised value for purposes of this line;
- (2) We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances;
- (3) You are in default of a material obligation of this agreement or any agreement securing this agreement, which shall include, but is not limited to, your ongoing obligation to supply us with information we feel we need to assess your financial condition;
- (4) A governmental action prevents us from imposing the annual percentage rate provided for in this agreement;
- (5) The action of a governmental body adversely affects our security interest to the extent that the value of the security interest is less than 120% of the home equity line;
- (6) The annual percentage rate corresponding to the periodic rate reaches the maximum rate allowed under this plan (if provided for in this agreement); or
- (7) A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.

In the event that we suspend your right to additional advances or reduce your credit line, we will send you notice of our decision at the address listed in this agreement. (You should inform us of any change in your address.) If we have based our decision to suspend or reduce your credit privileges on an assessment of your financial condition or performance under this plan, and you believe that your situation has changed, you must request that we re-evaluate your situation, and reinstate your credit privileges.

CREDIT INFORMATION: You agree to supply us with whatever information we reasonably feel we need to decide whether to continue this plan. We agree to make requests for this information without undue frequency, and to give you reasonable time in which to supply the information. We may request from a consumer credit reporting agency your credit score whenever reasonable.

YOUR BILLING RIGHTS**KEEP THIS NOTICE FOR FUTURE USE**

This notice contains important information about your rights and our responsibilities under the Fair Credit Billing Act.

Notify Us In Case of Errors or Questions About Your Bill

If you think your bill is wrong, or if you need more information about a transaction on your bill, write us at the address listed on your bill. Write to us as soon as possible. We must hear from you no later than 60 days after we sent you the first bill on which the error or problem appeared. You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

- Your name and account number.
- The dollar amount of the suspected error.
- Describe the error and explain, if you can, why you believe there is an error. If you need more information, describe the item you are not sure about.

If you have authorized us to pay your bill automatically from your savings, checking, share draft or other account, you can stop the payment on any amount you think is wrong. To stop the payment your letter must reach us three business days before the automatic payment is scheduled to occur.

**Your Rights and Our Responsibilities
After We Receive Your Written Notice**

We must acknowledge your letter within 30 days, unless we have corrected the error by then. Within 90 days, we must either correct the error or explain why we believe the bill was correct.

After we receive your letter, we cannot try to collect any amount you question, or report you as delinquent. We can continue to bill you for the amount you question, including finance charges, and we can apply any unpaid amount against your credit limit. You do not have to pay any questioned amount while we are investigating, but you are still obligated to pay the parts of your bill that are not in question.

If we find that we made a mistake on your bill, you will not have to pay any finance charges related to any questioned amount. If we didn't make a mistake, you may have to pay finance charges, and you will have to make up any missed payments on the questioned amount. In either




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PAY TO THE ORDER OF
WITHOUT RECOURSE
FLAGSTAR BANK, FSB

BY: 
JEAN R. GURECK, SENIOR VICE PRESIDENT

BY: 
JOHN P. WANECKI, FIRST VICE PRESIDENT



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